

LAN-DEL WATER DISTRICT

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FINANCIAL STATEMENTS  
(with Independent Auditors' Report thereon)

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For the years ended December 31, 2015 and 2014

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LAN-DEL WATER DISTRICT  
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For the years ended December 31, 2015 and 2014

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*Making the right move for your business*

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of  
Lan-Del Water District  
Lansing, Kansas

**Report on the Financial Statements**

We have audited the accompanying basic financial statements of Lan-Del Water District (the District) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with the Kansas Municipal Audit and Accounting Guide and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lan-Del Water District, as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Insurance in Force is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Insurance in Force is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Insurance in Force is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*KRAMER & ASSOCIATES CPAS, LLC*

Kramer & Associates CPAs, LLC  
Leavenworth, Kansas  
May 4, 2016

LAN-DEL WATER DISTRICT  
STATEMENTS OF NET POSITION  
December 31,

	2015	2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 523,002	\$ 745,771
Cash restricted for bond principal and interest	160,827	141,340
Certificates of deposit	876,317	872,194
Accounts receivable	130,250	124,176
Prepaid expenses	9,334	8,534
Inventory	<u>133,682</u>	<u>112,309</u>
Total current assets	<u>1,833,412</u>	<u>2,004,324</u>
Capital assets, net of accumulated depreciation	<u>7,019,838</u>	<u>6,753,815</u>
Other assets:		
Restricted certificates of deposit:		
Restricted for bond reserve	110,881	110,716
Restricted for unemployment claims	<u>11,969</u>	<u>12,075</u>
Total other assets	<u>122,850</u>	<u>122,791</u>
Total assets	<u>8,976,100</u>	<u>8,880,930</u>
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	165,000	160,000
Accounts payable	45,414	43,579
Accrued liabilities	65,499	73,427
Due to Rural Water District #8	24,000	-
Accrued interest	<u>4,133</u>	<u>5,200</u>
Total current liabilities	<u>304,046</u>	<u>282,206</u>
Noncurrent liabilities:		
Long-term debt	<u>455,000</u>	<u>620,000</u>
Total noncurrent liabilities	<u>455,000</u>	<u>620,000</u>
Total liabilities	<u>759,046</u>	<u>902,206</u>
<b>NET POSITION</b>		
Net investment in capital assets	6,399,838	5,973,815
Restricted	283,677	264,131
Unrestricted	<u>1,533,539</u>	<u>1,740,778</u>
Total net position	<u>\$ 8,217,054</u>	<u>\$ 7,978,724</u>

The accompanying notes are an integral  
part of the financial statements.

LAN-DEL WATER DISTRICT  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the years ended December 31,

	2015	2014
Water sales	\$ 1,771,164	\$ 1,750,366
Cost of water purchased	<u>669,795</u>	<u>676,373</u>
Gross profit	<u>1,101,369</u>	<u>1,073,993</u>
Operating expenses:		
Salaries and employee benefits	367,853	367,170
Depreciation	265,293	267,503
Employee health insurance	59,587	59,233
Sales tax	34,541	31,128
Professional fees	29,480	35,015
System maintenance	28,995	24,109
Payroll taxes	28,615	27,915
Office supplies	27,725	33,257
Insurance	20,650	23,798
Engineering fees	18,541	17,420
Retirement	18,121	15,651
Telephone and internet	12,744	14,709
Utilities	12,658	15,190
Computer services	12,109	24,331
Vehicle	11,543	15,981
Regulatory taxes and testing	7,861	8,545
Accounting fees	7,140	6,840
Building maintenance	6,181	4,557
Uniforms	2,612	4,193
Supplies and small tools	1,774	2,102
Equipment maintenance	657	276
Bank service charges	5	30
Amortization	-	1,024
Miscellaneous	<u>-</u>	<u>285</u>
 Total operating expenses	 <u>974,685</u>	 <u>1,000,262</u>
Operating income	<u>126,684</u>	<u>73,731</u>
Non-operating revenue (expense):		
Rental income	22,782	21,055
Interest income	4,412	3,570
Miscellaneous income (expense)	(6,204)	(28)
Interest expense	<u>(14,533)</u>	<u>(17,733)</u>
Total non-operating revenue (expense)	<u>6,457</u>	<u>6,864</u>
Income before capital contributions	133,141	80,595
Patron capital contributions	<u>105,189</u>	<u>178,795</u>
Change in net position	238,330	259,390
Net position - beginning of year	<u>7,978,724</u>	<u>7,719,334</u>
Net position - end of year	<u>\$ 8,217,054</u>	<u>\$ 7,978,724</u>

The accompanying notes are an integral  
part of the financial statements.

LAN-DEL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
For the years ended December 31,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,765,090	\$ 1,747,976
Cash paid to employees	(375,781)	(364,515)
Cash paid to suppliers	<u>(1,031,672)</u>	<u>(1,042,640)</u>
Net cash provided by operating activities	<u>357,637</u>	<u>340,821</u>
Cash flows from capital related financing activities:		
Purchase of capital assets	(531,316)	(853,912)
Purchase of Rural Water District #8 patrons	24,000	-
Patron contributions	105,189	178,795
Principal payments long term debt	(160,000)	(160,000)
Interest paid on long term debt	(15,600)	(18,800)
Other receipts (payments)	<u>16,578</u>	<u>21,027</u>
Net cash used by capital related financing activities	<u>(561,149)</u>	<u>(832,890)</u>
Cash flows from investing activities:		
Net activity of certificates of deposit	(4,123)	438,791
Net activity of restricted assets	(19,546)	(1,786)
Interest received	<u>4,412</u>	<u>3,570</u>
Net cash provided (used) by investing activities	<u>(19,257)</u>	<u>440,575</u>
Net increase (decrease) in cash	(222,769)	(51,494)
Cash balance at beginning of year	<u>745,771</u>	<u>797,265</u>
Cash balance at end of year	<u><u>\$ 523,002</u></u>	<u><u>\$ 745,771</u></u>

The accompanying notes are an integral  
part of the financial statements.

LAN-DEL WATER DISTRICT  
STATEMENTS OF CASH FLOWS  
For the years ended December 31,

	<u>2015</u>	<u>2014</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 126,684</u>	<u>\$ 73,731</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	265,293	268,527
(Increase) decrease in:		
Accounts receivable	(6,074)	(2,390)
Inventory	(21,373)	5,965
Prepaid expenses	(800)	(235)
Increase (decrease) in:		
Accounts payable	1,835	(7,432)
Accrued liabilities	<u>(7,928)</u>	<u>2,655</u>
Total adjustments	<u>230,953</u>	<u>267,090</u>
Net cash provided by operating activities	<u><u>\$ 357,637</u></u>	<u><u>\$ 340,821</u></u>

The accompanying notes are an integral  
part of the financial statements.



LAN-DEL WATER DISTRICT  
Notes to the Financial Statements  
For the years ended December 31, 2015 and 2014

1. Summary of significant accounting policies

a. Reporting entity

Lan-Del Water District (the District) was established as a tax-exempt organization to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located within the District. Total customers as of December 31, 2015 and 2014 were 3,029 and 2,984, respectively.

b. Basis of presentation and basis of accounting

**Basis of presentation:**

The following fund type comprises the financial activities of the District for the year ended December 31, 2015.

Proprietary fund category:

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District has one type of proprietary fund:

Enterprise fund: Used to account for any activity in which a fee is charged to an external user for goods or services. However, they must be used to account for activities (a) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity, (b) when laws or regulations require that the activity's cost of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges (not taxes), or (c) the pricing policies of the activity establish fees and charges designed to recover its costs. Such operations are financed and operated in a manner similar to private businesses and are intended to be self-supporting through charges to users.

**Basis of accounting:**

The District has established a system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The proprietary fund financial statements are reported using the total economic resources measurement focus and the accrual basis of accounting.

c. Investments and cash flows

Investments in money market instruments, including certificates of deposit, are recorded at cost plus any accrued interest.

For the purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

1. Summary of significant accounting policies (continued)

d. Accounts receivable

The District reads meters at the end of each month and invoices are mailed. Payments for water service are due on or before the 15th day of the following month. Failure to pay by the 26th of the month following the meter reading will result in a discontinuance of service. Water rates for the District as of December 31, were as follows:

	2015	2014
Rate per unit:		
0-2	\$13.60	\$13.45
3-150	\$ 5.40	\$ 5.29
151-500	\$ 4.45	\$ 4.40
501-1,000	\$ 3.40	\$ 3.35
Over 1,000	\$ 3.30	\$ 3.25

A unit equals 748 gallons of water.

The District directly writes-off accounts that management considers to be uncollectible. Management considers all remaining accounts receivable to be collectible.

e. Capital assets

Purchased capital assets are stated at cost less accumulated depreciation. Contributed capital assets are reported at estimated fair value at the time received.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation methods and estimated useful lives of capital assets reported in the proprietary funds are as follows:

	Depreciation method	Estimated useful life
Buildings	Straight-line	10 - 40 years
Equipment	Straight-line	3 - 20 years
Extensions	Straight-line	10 - 60 years
Furniture and fixtures	Straight-line	5 - 20 years
Software	Straight-line	5 - 10 years
Reservoir	Straight-line	5 - 40 years

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

f. Inventory

Inventory is valued at the lower of average cost (first-in, first-out method) or market. Inventory consisted of materials and supplies at year-end.

1. Summary of significant accounting policies (continued)

g. Equity classifications

In the statement of net position, equity is shown as net position and classified into three components:

1. Net investment in capital assets - consisting of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction, or improvements of those assets.
2. Restricted - consisting of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The District first utilizes restricted resources to finance qualifying activities.
3. Unrestricted - remaining portion that does not meet the definition of "net investment in capital assets" or "restricted."

h. Patron capital contributions

Contributions from District members for line extensions are included in the statements of revenues, expenses, and changes in net position as patron capital contributions.

A tap is the right that entitles the holder to water service. Taps are presently sold for \$2,600 - \$10,900, depending on the size of the water line. Tap sales are included in the statements of revenues, expenses, and changes in net position as patron capital contributions.

i. Income taxes

The District is considered a tax-exempt entity and is not subject to income taxes at either the federal or state level.

j. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k. Sales tax

The District collects sales tax from customers and remits the entire amount to taxing jurisdictions. The District's policy is to include the tax collected in revenue and taxes remitted as an operating expense.

2. Stewardship, compliance, and accountability

a. Budgetary information

The District is not subject to statutory budget requirements.

b. Compliance with Kansas statutes

Management is not aware of any statutory violations for the period covered by the audit.

3. Deposits and investments

At December 31, 2015, the Board had the following investments and maturities, including certificates of deposit:

Investment Type	Fair Value	Investment Maturities in Years	
		Less than 1	1 - 5
Certificates of deposit:			
Citizens National Bank	\$ 204,418	\$ 204,418	\$ -
Citizens Savings & Loan Association	249,695	249,695	-
Commerce Bank	110,881	110,881	-
Country Club Bank	260,031	260,031	-
First State Bank & Trust	<u>174,142</u>	<u>174,142</u>	<u>-</u>
Total	<u>\$ 999,167</u>	<u>\$ 999,167</u>	<u>\$ -</u>

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Board has no investment policy that would further limit its investment choices. The rating of the District's investments, if available, is noted on the following page.

### 3. Deposits and investments (continued)

*Concentration of credit risk.* State statutes place no limit on the amount the Board may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The District's allocation of investments as of December 31, 2015, is as follows:

Investment Type	Rating	Percentage
Certificates of deposit:		
Citizens National Bank	Not Available	20.5%
Citizens Savings & Loan Association	Not Available	25.0%
Commerce Bank	Not Available	11.1%
Country Club Bank	Not Available	26.0%
First State Bank & Trust	Not Available	17.4%

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2015.

At December 31, 2015, the District's carrying amount of deposits was \$1,682,996 and the bank balance was \$1,718,230. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$1,034,471 was covered by the federal depository insurance, and the remaining \$683,759 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

#### 4. Property and equipment transactions

	Costs			Balance December 31, 2015
	Balance December 31, 2014	Additions	Disposals	
Land	\$ 961,632	\$ -	\$ -	\$ 961,632
Building	872,854	5,100	-	877,954
Equipment	897,891	954	-	898,845
Extensions	7,105,604	508,568	-	7,614,172
Furniture and fixtures	140,800	8,224	-	149,024
Software	76,915	2,888	-	79,803
Reservoir	<u>452,889</u>	<u>5,581</u>	<u>-</u>	<u>458,470</u>
Operational asset total	<u>10,508,585</u>	<u>531,315</u>	<u>-</u>	<u>11,039,900</u>
Total costs	<u>\$ 10,508,585</u>	<u>\$ 531,315</u>	<u>\$ -</u>	<u>\$ 11,039,900</u>

	Accumulated Depreciation			Balance December 31, 2015
	Balance December 31, 2014	Additions	Disposals	
Land	\$ -	\$ -	\$ -	\$ -
Building	263,693	26,691	-	290,384
Equipment	406,353	51,561	-	457,914
Extensions	2,492,970	165,136	-	2,658,106
Furniture and fixtures	104,712	10,174	-	114,886
Software	76,720	388	-	77,108
Reservoir	<u>410,322</u>	<u>11,342</u>	<u>-</u>	<u>421,664</u>
Total accumulated depreciation	<u>\$ 3,754,770</u>	<u>\$ 265,292</u>	<u>\$ -</u>	<u>\$ 4,020,062</u>

5. Long-term debt

	<u>Beginning balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending balance</u>	<u>Due in one year</u>
Revenue bonds:					
Series 2012	\$ 780,000	\$ -	\$ 160,000	\$ 620,000	\$ 165,000

In November 2003, the District issued Water System Refunding and Improvement Revenue Bonds (Series 2003) in the amount of \$2,170,000 in order to improve its water supply system by the construction, installation, equipping, and acquisition of certain improvements and to refund a portion (\$535,000) of the outstanding Series 1997 Water System Revenue Bonds. The Series 2003 Bonds bear interest at rates ranging from 1.45% to 4.80%.

In September 2012, the District issued \$1,100,000 of Water System Refunding Revenue Bonds (Series 2012) with an interest rate of 2.0% in order to advance refund the Series 2003 bonds maturing on September 1, 2014 and thereafter on September 1, 2013. The net proceeds of \$1,092,164 (after issuance costs) plus an additional \$78,131 from the District's Bond Reserve Account were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the Series 2003 bonds. As a result, the Series 2003 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

As a result of the advance refunding, the District reduced its aggregate debt service payments by \$145,731 over the next five years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$65,000.

Maturities of long-term debt of Lan-Del Water District at December 31, 2015, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 165,000	\$ 12,400	\$ 177,400
2017	170,000	9,100	179,100
2018	285,000	5,700	290,700
2019	<u>-</u>	<u>-</u>	<u>-</u>
	620,000	<u>\$ 27,200</u>	<u>\$ 647,200</u>
Less current maturities	<u>(165,000)</u>		
Total	<u>\$ 455,000</u>		

Principal payments are due annually on September 1. Interest payments are due semi-annually on February 1 and August 1.

5. Long-term debt (continued)

Provisions of the bond ordinances make the following requirements for the District to assure profitable operation and timely repayment of debt:

- a. Establishment of rates adequate to insure a debt service ratio of at least 125 percent. For the years ended December 31, 2015 and 2014, the debt service ratios were 221 percent and 194 percent, respectively.
- b. Establishment of a bond reserve account, into which the District shall transfer \$15,000 each month until the account aggregates to \$110,000. The money in the bond reserve account may be used to call the bonds for redemption and payment prior to their maturity. At December 31, 2015 and 2014, the balance in the bond reserve account was \$110,881 and \$110,716, respectively.
- c. Establishment of a separate account to provide for the payment of principal and interest each year. The District is required to make monthly deposits to this account equal to 1/6th of the next maturing interest payment and 1/12th of the next maturing principal payment. The required balance at December 31, 2015 and 2014 was \$55,000 and \$58,500, respectively. The actual balance at December 31, 2015 and 2014 was \$160,827 and \$141,340, respectively.

6. Compensated absences liabilities

Full time employees with 0-4 years of service will accumulate one day a month or twelve days of annual leave per year. Employees with 5 to 14 years of service will accumulate 1.5 days per month or 18 days of annual leave per year. Employees with 15+ years of service will accumulate 2 days per month or 24 days of annual leave per year. Employees hired prior to October 1, 2001 can carry forward an unlimited amount of annual leave to the next calendar year. Employees hired after October 1, 2001 can carry forward no more than 240 hours of annual leave to the next calendar year.

All full time employees are entitled to sick leave pay. Each full time employee accrues one working day of sick pay each month of service. There is no maximum amount of accumulation of sick leave. Upon retirement, the retiree shall be paid for one-third of the unused sick leave.

At December 31, 2015 and 2014, the compensated absences liability totaled \$65,821 and \$72,978, respectively, and is included in the accrued liabilities amount on the statement of financial position.

7. Water purchase contract

The District contracted to purchase water from the Board of Public Utilities of Kansas City, Kansas (the City). Under the contract, the City is required to sell water to the District with a minimum purchase of 50 gallons per minute. The rate charged to the District is subject to review and adjustment at any time a general rate change is approved by the City for like purchasers provided that the City shall provide to the District six months written notice of any proposed adjustments in the payment rate. During the year ended December 31, 2015, the District purchased 92,460 units of water from the City and paid an average of \$2.00/unit. During the year ended December 31, 2014, the District purchased 97,306 units of water from the City and paid an average of \$2.00/unit.



7. Water purchase contract (continued)

The District contracted to purchase water from the Leavenworth Waterworks Board, City of Leavenworth. Water purchased by the District in excess of 192,000 units for each calendar year shall be billed at a rate not to exceed the rate charged to the District by the Board of Public Utilities of Kansas City, Kansas. During the year ended December 31, 2015, the District purchased 240,246 units of water from the Leavenworth Waterworks Board and paid an average of \$2.01/unit. During the year ended December 31, 2014, the District purchased 239,831 units of water from the Leavenworth Waterworks Board and paid an average of \$2.00/unit.

8. Rental income

The District rents tower and ground space to a communications company under a noncancelable operating lease. The lease expires in April 2020. Future minimum rentals to be received under this lease agreement as of December 31, 2015 are as follows:

2016	\$ 22,682
2017	23,362
2018	24,063
2019	24,785
2020	<u>8,343</u>
Total	<u>\$ 103,235</u>

9. Concentration of credit risk

The District is engaged in the sale of water to customers located in Leavenworth County, Kansas. The District grants credit to those customers and requires no collateral.

10. Defined contribution retirement plan

The District has a Salary Reduction Simplified Employees Pension (SARSEP) whereby, the eligible employees defer up to 15% of their compensation and the District will contribute a percentage at its discretion. The District currently makes quarterly contributions of 5% of the employees' gross income. During the years ended December 31, 2015 and 2014, the District contributed \$18,121 and \$15,651, respectively, to the plan.

11. Other post-employment benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for the coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

12. Risk management

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, and injuries to employees. The District manages these various risks of loss through insurance policies. See the Schedule of Insurance in Force for details of the various insurance policies.

13. Date of management's review

Management evaluated subsequent events through May 4, 2016, the date the financial statements were issued, and determined that there were no additional adjustments and/or disclosures required.

## SUPPLEMENTARY INFORMATION

LAN-DEL WATER DISTRICT  
SCHEDULE OF INSURANCE IN FORCE  
For the year ended December 31, 2015

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General liability	7/1/2016	AMCO Insurance Company	\$4,073	\$1,000,000 \$500,000 \$100,000 \$500,000	Aggregate limit Each occurrence limit Property damage limit Personal and advertising injury limit
Commercial property	7/1/2016	AMCO Insurance Company	\$6,606	\$1,006,900 \$463,900	Building property Personal property
Auto	Various	Employers Mutual Casualty Co.	\$4,382	\$500,000 \$500,000 \$500,000	Liability Uninsured motorists Underinsured motorists
Commercial crime	7/1/2016	Nationwide Mutual Insurance Co.	\$161	\$5,000 \$2,000	Inside premises Outside premises
Workers compensation	7/1/2016	Nationwide	\$7,828	\$500,000 \$500,000 \$500,000	Bodily injury by accident Bodily injury by each employee Bodily injury by policy limit

See Independent Auditors' Report